ADVERTISEMENT COVERS FOR TELEPHONE DIRECTORIES NOT UNFAIR COMPETITION

New England Tel. & Tel. Co. v. National Merchandising Corp., 335 Mass. 658, 141 N.E.2d 702 (1957)

Plaintiff, a telephone company, sought to enjoin defendant from distributing clear plastic telephone directory covers to the public. Defendant distributed these covers upon which were printed names and numbers of ten or twelve merchants in addition to the usual emergency numbers. The telephone company alleged an adverse effect upon its service *via* a trespass to its property, the directories, and, more persuasively, an "appropriation of values" created by the telephone company, constituting unfair competition with its advertising business. The court held defendant's plan "ingenious" and refused the injunction in the absence of any "substantial damage to the public interest."[1]

Very little property interest in the directories was found by the court other than a right to collect the books when such an operation was profitable.[2] There was also no finding of any interference with service, such as might be the case when certain mechanical appliances are attached to the telephone equipment.[3] The "appropriation of values" argument was not so easily overcome, but the court circumscribed this question by finding no "substantial damage to the public interest" and refusing to follow similar cases in which the "appropriation of values" argument controlled.[4]

"Appropriation of values" is a concept which stems from the principle that "one should not reap where he has not sown."[5] The two statements are equally difficult in application and lacking in definitive meaning. The basic case dealing with this proposition is *International News Service v. The Associated Press*,[6] the famous case of International News Service's "pirating" of news secured through the efforts of the Associated Press organization. International News Service distributed the news stories to its own subscribers who sometimes released the accounts before newspapers of some Associated Press subscribers were published. The majority held this a

[1] New England Tel. & Tel. Co. v. National Merchandising Corp., 335 Mass. 658, 141 N.E.2d 702, 708.

[2] *Id.* at 706.

[3] *Id.* at 705. *Cf.* Southwestern Bell Telephone Co. v. Dialite Dial Co., 102 F. Supp. 872 (W.D. Okla. 1951), *appeal dismissed by stipulation,* Dialite Dial Co. v. Southwestern Bell Telephone Co., 197 F.2d 523 (10 Cir. 1952), in which the sale or distribution of metal and plastic discs called "Dialites" for use as telephone dial attachments was enjoined; Hush-a-Phone Corp. v. United States, 238 F.2d 266 (D.C. Cir. 1956), in which no impairment of telephone service by a device attached to the mouth piece to keep conversation from being overheard was found.

[4] *Supra* note 1, 141 N.E.2d at 711.

[5] CALLMAN, UNFAIR COMPETITION AND TRADE MARKS 883 (2d ed. 1950).

[6] 248 U.S. 215 (1918).

"piracy" of news, in other words, an appropriation of values created by The Associated Press to the use of International News Service. This appropriation was called unfair competition, over the strong, persuasive dissent of Mr. Justice Brandeis, who said that "knowledge, truths ascertained, conceptions, and ideas become, after voluntary communication to others, free as the air to common use."[7]

In 1924, a Missouri court of appeals could not find a more extreme case of unfair competition than the use of telephone directory covers, with advertising space thereon, by a hotel owner with about 700 directories.[8] The court followed *Associated Press v. International News Service.* The Massachusetts court in the principal case expressly refused to follow the Missouri case.[9]

There is some indication that if *International News Service v. The Associated Press* were decided again, Mr. Justice Brandeis' opinion would prevail.[10] The refusal of the court to apply the "appropriation of values" reasoning to the principal case indicates at least an unwillingness to extend a monopoly through the use of such a highly generalized test. As the economy of the nation becomes increasingly complex, these problems take on an ever increasing public interest complexion, and should become the objects of expertly considered economic law rather than the usual "legal" law which the courts apply. The solution to such economic public interest problems is more easily and more deliberately effected by the legislatures, with their capacity for thorough investigation and assimilation of expert opinion, than by the courts. The referral to the legislature of cases, such as the principal one, is expressed by Mr. Justice Brandeis in *International News Service v. The Associated Press,* and it seems to underlie the refusal of the injunction in the principal case.

If a detailed instruction booklet were necessary to the use of an appliance produced by a private manufacturer, the applicable principles would show little departure from those in the telephone directory case. The supposition that a decision declaring the distribution of instruction booklet

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[7] *Id.* at 250.

[8] National Telephone Directory Co. v. Dawson Mfg. Co., 214 Mo. App. 683, 263 S.W. 483 (1924).

[9] *Supra* note 1, 141 N.E.2d at 711.

[10] See Triangle Publications Inc. v. New England Newspaper Publishing Co., 46 F. Supp. 198, 204 (D. Mass. 1942). The court stated: "I could hardly be unmindful of the probability that a majority of the present justices of the Supreme Court of the United States would follow the dissenting opinion of Mr. Justice Brandeis in the International News case . . . . because they share his view that monopolies should not be readily extended, and his faith that legislative remedies are to be preferred to judicial innovations for problems where adjustment of many competing interests is necessary." See also R.C.A. Mfg. Co. v. Whiteman, 114 F.2d 86, 90 (2d Cir. 1940). Judge Hand stated: "In spite of some general language it must be confined to that situation; certainly it cannot be used as a cover to prevent competitors from appropriating the results of the industry, skill, and expense of others."

covers by a different entrepreneur to be unfair competition would not be restrictive of competition is inconceivable. Such a ruling would be a judicial declaration that the producer of the booklets has a monopoly on the production of covers. The suggestion that any attempt to prevent unfair competition involves the creation of a monopoly presents a very real question.[11] In the principal case, however, the problem is simplified by the fact that an existing legislatively created monopoly is attempting to extend itself through application of the judicially created "appropriation of values" concept. It has been suggested that the *International News Service v. The Associated Press* doctrine is elastic and workable.[12] The principal case evinces a contrary conclusion, since a doctrine, to be workable, ought to apply to related problems in different fields.

As stated by one writer:

> The significant trade practices, the economic and social considerations, and the basic conceptual policies must be reviewed and reformulated if any meaning is to be given to the regulation of business conduct.[13]

This statement has particular meaning when considered in the light of an attempt to apply broad general notions of what is unfair to a problem involving a public utility monopoly. The necessary review and reformulation can only be done effectively through the legislative process.

Leonard S. Sigall

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[11] *But see* Sell, *The Doctrine of Misappropriation in Unfair Competition,* 11 VAND. L. REV., 483, 498 (1958). Professor Sell stated: "To say that any attempt to prevent unfair competition is to create a monopoly is so obviously false that no real analysis need be given."

[12] *Id.* at 496.

[13] Pollack, *A Projection for the Revaluation of Unfair Competition,* 13 OHIO STATE L.J. 187, 234 (1952).